



Promoting Effective Property Rights Systems for Sustainable Development



This growing divide between wealth and poverty, between opportunity and misery, is both a challenge to our compassion and a source of instability. We must confront it.

President George W. Bush, March 14, 2002

WHY WE CARE

Property rights are a key to linking the poor and marginalized to market opportunities and democratic governance. Accessible and transparent property rights systems—comprising laws, institutions, and information systems harmonized with local practice and custom—are a “hidden” infrastructure that enables actions leading to the achievement of sustainable development goals.

With the World Summit on Sustainable Development’s emphasis on governance, now is the time for political leadership and for informed, consensus-based policy frameworks relating to effective property systems. These frameworks should encompass both ownership and use rights of land and other resources—including water, timber, and even wildlife.

This brochure highlights USAID’s approach to fostering change consistent with these beliefs. This sample of USAID’s global experience illustrates commitment to shaping a future in which broad-based economic growth and sound environmental stewardship rest on a foundation of good governance with effective property rights systems.

As our Peruvian colleague Hernando de Soto has so aptly said, “The hidden architecture of sustainable development is the law.” ... The rule of law that permits people to be free and to pursue their God-given destiny, and to reach and to search and to try harder for their country, for their family. The rule of law that attracts investment. The rule of law that makes investment safe. The rule of law that will make sure there is no corruption, that will make sure there is justice in a nation that is trying to develop.”

Secretary of State Colin L. Powell, July 12, 2002

CREATING MOMENTUM FOR REFORM

With USAID support, the Institute for Liberty and Democracy (ILD) has created momentum for reform, emphasizing the rule of law and asset creation. With *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, ILD founder Hernando de Soto has raised broad awareness that the poor are often unable to generate wealth because their ownership of land or property is not formally recognized. De Soto argues that effective property rights systems can harness and formalize the huge assets held by the poor and unleash private capital that has the potential to outstrip by far donor assistance.

The ILD contributes to empowering the poor by creating a roadmap for comprehensive legal and institutional reforms that allow the poor to leverage their property into improved, sustainable livelihoods. ILD analyzes the informal sector and constraints to legal participation in economic activity and then formulates comprehensive reform plans. Since its pioneering work in Peru, ILD has helped create momentum for reform in Egypt, Haiti, Mexico, and Honduras. The institute is now engaging senior policymakers in nations such as Ghana, the Philippines, Russia, and Brazil.

The absence of clear property titles in developing countries cuts off access to finance for poor families who want to own a home, small farmers who want to improve their land, and entrepreneurs who want to start a business.

Anthony Wayne, Assistant Secretary of State for Economic and Business Affairs, March 2002

PROGRESS AND CHALLENGES

Good Stewardship and Prosperity Go Together

Efforts to conserve natural and cultural sites and to develop tourism around such sites are often at odds with the activities of local residents. The same can be said of projects to extend roads and pipelines or to foster sustainable extractive industries. To lessen the potential for conflict caused by such activities—and to promote the economic growth with environmental stewardship that will safeguard the world's biodiversity—it is essential to clarify and strengthen the property rights of indigenous and other community groups so that they can manage their resources sustainably.

- In [Guatemala](#), the USAID mission is working with public and private sector partners to use land titling as a primary means of giving local indigenous communities a stake in the conservation and sustainable use of surrounding biodiversity and archeological assets. The issuance of land titles is coupled with the development of community-based management plans. Community development, protection of archeological sites, biodiversity conservation, and land conflict resolution are important products of this effort.
- In [Bolivia](#), the Izoceno Indians worked with their government to establish a 3.4-million-hectare national park and integrated management area, the country's largest. The Izoceno organization now co-administers the park and is consolidating an indigenous territory adjacent to it. The Izoceno leveraged \$1.5 million from private sector companies that negotiated a Bolivia-Brazil gas pipeline, along with additional public resources toward the cost of titling land in indigenous community areas. USAID worked with the Wildlife Conservation Society, the Government of Bolivia, and indigenous groups to support this process.

- In [Ecuador](#), the SUBIR project has been working since 1992 to develop sustainable economic incentives for biodiversity conservation in the El Chocó region. The project supported legalization of more than 50,000 hectares of land in Esmeraldas province for Chachi indigenous communities and Afro-Ecuadorians; a survey of 70,000 hectares to determine the legal situation of the lands of northern Esmeraldas; and the entry of approximately 300,000 hectares into a multipurpose rural cadaster in two municipalities in the northwest of Esmeraldas. More than 900,000 hectares in the province are being legalized in favor of indigenous groups.
- In [Namibia](#), the LIFE project, launched in 1993 to promote community-based wildlife management, has evolved into a national, community-based natural resource management program supporting the decentralization of control over natural resources—principally wildlife. The program supports the emergence of legalized community-based organizations called conservancies that are responsible for managing their natural resources and the benefits that accrue from their sustainable use. With project support, the conservancies became legally recognized entities with defined territorial boundaries and rights over wildlife management. These rights give the conservancies de facto control, allowing them to benefit economically and to manage and invest in resources—though further strengthening of resource tenure is still needed.

Extending the system of property rights protection to include the property of poor people is the most important social reform that developing countries can undertake.

*Ian Vasquez, Director, Project on Global Economic Liberty,
Cato Institute, September 2001*

Property Rights: The “Hidden” Infrastructure of Economic Growth

Good governance and, in particular, laws and institutions that yield clearly defined, enforceable, and transferable property rights allow all segments of society to tap the asset value of their properties. Conversely, without transparent governance, transactions costs and levels of corruption are higher. For land titling programs to provide the desired security of property, political will is needed to achieve a cohesive policy and institutional framework. Simplified processes and the involvement of local communities are also essential.

The groundwork for economic growth, therefore, lies in property rights-related programs that combine policy reform, institutional development, and capacity building with efforts to address access to finance and markets. In countries of the former Soviet Union, for example, land privatization, titling, and registration have proven to be important steps in establishing the basis of market economies.

- In [Moldova](#), farm reorganization and land titling programs created over 1 million small landowners. Subsequent programs provided business planning services and legal advice, facilitated access to credit, and assisted with property-dispute resolution. These programs have promoted land consolidation and agricultural enterprise development. Since 1999, a mortgage lending development program has innovatively used U.S. Government funds to capitalize its portfolio of mortgage loans totaling over \$1 million. Commercial banks have also begun to provide mortgage loans.
- In [Georgia](#), USAID has facilitated titling and registering of 2 million land parcels, simplifying procedures, and reducing

transaction fees. The mission and its partners continue to support development of private and public sector institutions that facilitate market transactions and the privatization of state-held land. Significant milestones are the development of a more effective legislative and administrative system to support private land ownership; the development of an indigenous nongovernmental organization that advocates for millions of small landowners; and facilitation of over 21,000 secondary transactions in land.

- In [El Salvador](#), USAID supported PROSEGUIR, a program for rural legal security that assisted a participatory approach to allocation of land within a community group. The program supported boundary delineation, legal titling and registration of each parcel, and conflict mediation during these processes. It also trained nongovernmental organizations in use of modern survey techniques and mediation strategies and brought tenure security to almost 30,000 families resettled after the civil war.
- In [Guatemala](#), USAID provided assistance to initiate a land fund, support land titling and resettlement efforts, and develop a commercial land market. This backing facilitated the purchase of 134 farms that benefited almost 11,000 families as well as the titling of 94,000 hectares of land to the benefit of 6,100 families. Once small farmers gain secure land tenure, USAID assistance facilitates access to training, markets, and public and private investments that increase economic viability.

Farmers barely eking out a living cannot move beyond subsistence farming because poorly defined property rights preclude their use of the land as collateral for credit—a critical need for small-scale farmers everywhere, especially women farmers....

Ann M. Veneman, U.S. Secretary of Agriculture, March 2002

INCREASING ACCESS TO LAND

Improving access to land is an important strategy to reduce rural poverty and promote sustainable development. A “menu” of approaches is emerging to help the poor gain access to assets and sustainably improve their livelihoods. USAID programs address land access in a number of ways, often by forging partnerships that mobilize private sector resources that might not otherwise be available.

- In [South Africa](#), USAID supports the AGRILINK II project, which aims to create market-driven employment opportunities—especially for women—by expanding the growth of historically disadvantaged South African agribusinesses. The project works to facilitate land reform. Because lack of access to land is a principal constraint to enterprise viability or development, AGRILINK staff help locate suitable agricultural land for sale. Land valuations and economic evaluations of the farming potential of such properties enable promising farmers to obtain loans and grants to purchase land and invest in their new enterprises. Since October 2001, the AGRILINK II project has identified and evaluated over 27,688 hectares of agricultural land for emerging farmers in the Eastern Cape and Limpopo provinces. With program assistance, they purchased the land with grants and loans worth \$7.4 million.

The United States will ... contribute to improving security of property rights ... including promoting efficient registering, titling, and surveying of land holdings; improved legal, institutional, and market infrastructure and rule of law; and the formalization of customary and communal use rights in ways that are transparent, enforceable, and consistent with community interests.

The World Food Summit: Five Years Later; United States of America Position Paper, 2002

LAND TENURE, PEACE, AND DEMOCRACY

Unresolved land tenure and property rights issues can trigger civil conflict. Governments, civil society, and donors can collaborate to prevent this from happening and to ensure that land access and tenure security are addressed in post-conflict situations.

- In [Mozambique](#), abundant and diverse land resources are key to sustainable economic growth and broad-based poverty reduction. Following the 1992 peace accords that ended two decades of armed conflict, top priorities were rapid agricultural sector growth and broad-based rural development, along with the crafting of land policies and laws to provide a firm foundation for continued peace. The key challenge facing policymakers was integrating customary land-use rights into a modern legal framework that could attract investors, protect existing users, and encourage socially and environmentally sound economic partnerships.
- In [Zimbabwe](#), the issue of land tenure has been overtaken by political events that have sidetracked the legitimate issue of land redistribution and reform. As such, outstanding land issues—including access to land, ownership, tenure, and property rights—have never been properly addressed. Poor governance and the lack of the rule of law have overshadowed the debate. USAID has supported policy studies on topics such as alternative models of resettlement, land subdivision, and land markets. These studies will make important contributions to policy debates when there is a more favorable environment.
- In [Guatemala](#), land has been the principal cause of violent conflict. The 1996 peace accords included among their major tenets improving land access and governance of property through registration, titling, and mapping, as well as strengthening institutional capacity to resolve land conflicts.

USAID AND PROPERTY RIGHTS REFORM

- In [Latin America and the Caribbean](#), USAID is a lead coordinator for the Summit of the Americas property registration initiatives. The agency also supports bilateral activities that include land titling and related institutional and policy reforms.
- In [Eastern Europe](#), USAID has supported land privatization efforts and projects that address land titling needs and associated legal frameworks.
- In [Africa](#), USAID has helped provide the secure tenure that empowers communities to better manage natural resources and has supported technical assistance on land policy.
- In [Asia](#), USAID supports broad policy dialogue and technical assistance for community-based natural resource management.
- USAID support for the Institute for Liberty and Democracy is encouraging comprehensive legal and institutional reforms to formalize property rights and allow the poor to participate in the legal and economic mainstream.
- Through its support to the BASIS Collaborative Research Support Program, USAID contributes to long-term research on underlying constraints to land access and secure tenure, seeking to inform policy and program design so that factor markets work for all.

We know that science-based, market-based economic policies give farmers and processors incentives to produce. [In Mali,] USAID and other donors supported policy and institutional reforms...that increased incentives to invest in more intensive production and processing. Land tenure reforms led to improved management of both agricultural and natural resources.

USAID Administrator Andrew Natsios, April 25, 2002

CONTACT

For more information on USAID programs, contact:

Jolyne Sanjak

Tel: +1-202-712-1495

Fax: +1-202-216-3262

E-mail: jsanjak@usaid.gov

Lena Heron

Tel: +1-202-712-0391

Fax: +1-202-216-3579

E-mail: lheron@usaid.gov

Melissa Brown

Tel: +1-202-712-1107

Fax: +1-202-712-0077

E-mail: mebrown@usaid.gov



A Georgian woman and her granddaughter admire their new land title and look forward to a more prosperous future.

U.S. Agency for International Development

1300 Pennsylvania Ave. NW

Washington, DC 20523-1000

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